



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 28, 2011

H.R. 2930 **Entrepreneur Access to Capital Act**

As ordered reported by the House Committee on Financial Services on October 26, 2011

H.R. 2930 would establish an exemption from requirements that certain securities be registered with the Securities and Exchange Commission (SEC). Specifically, the bill would exempt securities from registration requirements if:

- The aggregate amount raised through the issuance is \$1 million or less each year (\$2 million or less if the issuer provides investors with certain financial information); and
- Each individual who invests in the securities does not invest, in any year, more than the lesser of \$10,000 or 10 percent of the investor's annual income.

Issuers of such securities or intermediaries acting between the issuer and investors would be required to take certain steps, which include providing certain information to investors and the SEC, in order to be eligible to take advantage of the exemption. The bill would require the SEC to develop regulations to implement this new authority and to set out actions that would disqualify certain individuals from issuing securities under the exemption.

Based on information from the SEC, CBO estimates that implementing H.R. 2930 would have a negligible impact on the SEC's workload, and any change in agency spending that is subject to appropriation would not be significant. Enacting H.R. 2930 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 2930 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting states from requiring issuers of some securities to register the securities with the state, or to pay registration fees, prior to issuance. As defined in UMRA, the direct costs of a mandate include any amounts that state governments would be prohibited from raising in revenues as a result of the mandate. The cost of the mandate would be the amount of fee revenue that states would be precluded from collecting. Based on information from the SEC and industry sources, CBO estimates that forgone revenues would be small and would not exceed the threshold established in

UMRA for intergovernmental mandates (\$71 million in 2011, adjusted annually for inflation). H.R. 2930 contains no new private-sector mandates as defined in UMRA.

The CBO staff contact for this estimate is Susan Willie. This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.